

The week that was

- US Federal Reserve (The Fed) Chair Powell's speech at a monetary policy symposium unleashed a strong rise in bond yields and weakened the US dollar.
- The Fed Chair Powell not only indicated that the US central bank would allow inflation to run higher for a while to make up for prior inflation shortfalls, but also that they wouldn't tighten policy just because unemployment was low. The implication is that higher inflation over time will justify higher bond yields.
- US 10-year bond yields rose by 9bps to 72bps while Australian 10-year yields climbed 14bps to 1.02%. With the US\$ weakening, the A\$ reached US 73.7 cents, up 2.8% over the week.
- Equity markets were more disparate last week. The US S&P500 index rose by a strong 3.3% and European equities increased by 1%, but shares in Australia, Japan and the UK were modestly lower. Australian data showed that investment was weak in the June quarter and that firms revised down their planned investment for 2020-21. That said, the data were slightly more resilient than feared.

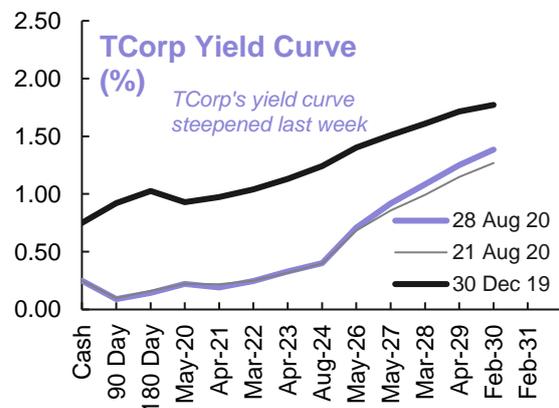
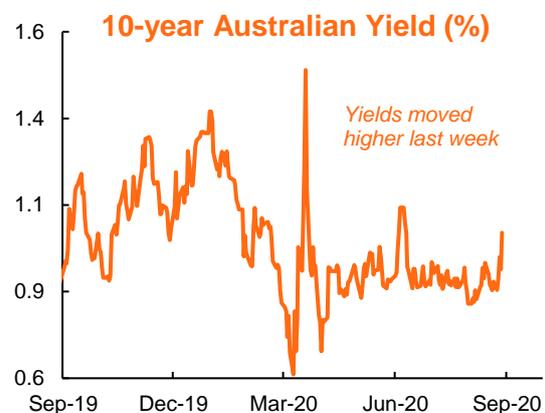
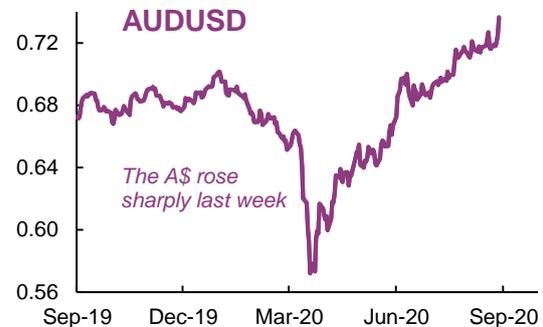
Economic calendar

Monday 31/08	AU: Company profits, Q2 CH: PMIs, Aug
Tuesday 1/09	AU: RBA policy meeting US: ISM manufacturing index, Aug
Wednesday 2/09	AU: GDP, Q2 US: Durable goods orders, Jul
Thursday 3/09	US: ISM non-manufacturing index, Aug CH: Caixin Services PMI, Aug
Friday 4/09	AU: Retail sales, Jul US: Non-farm payrolls, Aug

The week ahead

- The GDP data released on Wednesday will reveal how the economy performed in the June quarter. Analysts expect that the economy shrank by more than 5% which is a large slump but would be smaller than the declines in activity recorded in many other countries. A range of data released ahead of that will allow analysts to fine-tune their forecasts.
- In the US, ISM surveys of the manufacturing and services sectors will be released, as will employment data for August. Despite large ongoing job losses revealed in weekly initial jobless claims, analysts expect employment will have risen solidly in August. The Fed will also release its Beige Book which is a collection of anecdotes from across US regions which may add some colour to how the economy is performing.

Financial markets charts



Financial markets data: Week ending 28 August 2020

Interest Rates	Close (%)	1 Week (bps)		YTD (bps)	
RBA Cash Rate	0.25	0	–	-50	▼
90-day BBSW	0.09	-1	▼	-83	▼
3-year Australian Bond Yield	0.26	1	▲	-64	▼
10-year Australian Bond Yield	1.02	14	▲	-35	▼
20-year Australian Bond Yield	1.72	17	▲	-14	▼
10-year Australian Break-Even Inflation	1.39	6	▲	-2	▼
10-year Australian Real Yield	-0.37	8	▲	-33	▼
Fed Funds Rate (lower bound)	0.00	0	–	-150	▼
2-year US Treasury Yield	0.13	-2	▼	-144	▼
10-year US Treasury Yield	0.72	9	▲	-120	▼
30-year US Treasury Yield	1.50	16	▲	-89	▼
10-year German Bund Yield	-0.41	10	▲	-22	▼
NSW TCorp Bonds	Close (%)	1 Week (bps)		YTD (bps)	
4.00% 8 April 2021	0.19	-3	▼	-81	▼
6.00% 1 March 2022	0.25	0	▼	-82	▼
4.00% 20 April 2023	0.33	1	▲	-84	▼
1.00% 8 February 2024	0.38	2	▲	-90	▼
5.00% 20 August 2024	0.40	0	▲	-88	▼
4.00% 20 May 2026	0.71	2	▲	-75	▼
3.00% 20 May 2027	0.92	6	▲	-65	▼
3.00% 20 March 2028	1.08	9	▲	-58	▼
3.00% 20 April 2029	1.25	10	▲	-53	▼
3.00% 20 February 2030	1.38	12	▲	-46	▼
2.00% 20 March 2031	1.52	12	▲	-44	▼
2.00% 20 March 2032	1.72	12	▲	n/a	n/a
2.00% 20 March 2033	1.82	12	▲	-38	▼
3.75% 20 August 2020 CIB	1.80	-2	▼	250	▲
2.75% 20 November 2025 CIB	-0.20	-1	▼	-29	▼
2.50% 20 November 2035 CIB	0.53	13	▲	n/a	n/a
10-year NSW TCorp Bond Yield	1.47	12	▲	-37	▼
10-year TCV (Victoria) Spread	-0.04	1	▲	-2	▼
10-year QTC (Queensland) Spread	0.00	1	▲	-3	▼
Equities	Close	1 Week		YTD	
S&P/ASX 200 (Australia)	6,074	-0.6%	▼	-9.1%	▼
S&P 500 (US)	3,508	3.3%	▲	8.6%	▲
FTSE 100 (UK)	5,964	-0.6%	▼	-20.9%	▼
Euro Stoxx 600 (Europe)	369	1.0%	▲	-11.3%	▼
Nikkei 225 (Japan)	22,883	-0.2%	▼	-3.3%	▼
Shanghai Composite (China)	3,404	0.7%	▲	11.6%	▲
Currencies	Close	1 Week		YTD	
AUD/USD	0.737	2.8%	▲	5.1%	▲
EUR/USD	1.190	0.9%	▲	6.1%	▲
USD/JPY	105.37	-0.4%	▼	-2.9%	▼
GBP/USD	1.34	2.0%	▲	1.4%	▲
US\$ Index	92.37	-0.9%	▼	-4.2%	▼
Commodities	Close	1 Week		YTD	
Brent Oil (US\$/bbl)	45.05	1.6%	▲	-31.7%	▼
Iron Ore (US\$/t)	122.48	-0.8%	▼	33.8%	▲
Coking Coal (US\$/t)	1,229.50	1.4%	▲	1.9%	▲
Gold (US\$/oz)	1,964.83	1.3%	▲	29.5%	▲

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